



Global Economics
G R O U P

The Antitrust Analysis of Rules and Regulations for Online Platforms

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I. BACKGROUND



Many companies have products or services that are platforms or offer products or services that themselves are parts of platforms.

- **Many businesses in our daily lives are multi-sided platforms:**
 - **Matchmakers**
 - Audience building
 - Intermediaries
- **Online platforms play an important role in promoting innovation, competition and economic growth**

Business model not new, but increasingly popular



Old and Physical

- Shopping malls
- Newspapers
- Local markets
- Village matchmaker
- Financial exchanges
- Credit and debit cards



Recent and Online

- Advertising-supported internet services like Naver
- eCommerce platforms like ECPlaza
- Social media platforms like Nate
- Smartphone operating systems like Bada
- Online matchmaking



Brand New Online/Offline

- Kakao Taxi and T-map Taxi for taxi services
- Hanatour for travel agencies
- Dinning Code for local services
- Order online pick up offline
- Mobile payments

Mobile devices are foundation of platforms that use online technologies to reduce frictions in physical world; convergence of online and physical world.

- **Strategies to ignite**
 - Both sides are essential for launch: get both sides on board
 - Critical mass

- **Strategies to increase value**
 - A virtual and physical place to get different types of customers to get together
 - Ways to connect and create value
 - Manage externalities to increase value that each side can benefit from the platform

- Platform maximizes value

- Pricing

- Relative prices to different sides
- Access charges and variable fees

- Design strategy

- Facilitating interactions
- Bringing more customers on board

- Platform regulations and rules

- Regulating interactions
- Preventing genitive externalities

II. ONLINE PLATFORM EXTERNALITIES AND GOVERNANCE

- **Positive externalities**
 - Encourage more participation to increase private and social value of the platform
 - Create application stores and encourage users to find bugs
- **Negative externalities**
 - App stores manage and control bad behaviors from developers.
 - Fragmentation
 - Compatibility issues
 - could be a more serious problem for the platforms that use an open-source license

- **Employ systems to balance the interests of one set of actors against the other**
 - **The value of online platforms depends on the ability to**
 - ❑ promote positive externalities
 - ❑ reduce negative externalities
 - **Online platforms usually take governance strategy to manage externalities**
 - ❑ impose rules and standards
 - ❑ monitor the quality of complementary products and exclude those that do not follow rules

III. COMPETITION POLICY ISSUES

- **Traditional economic theory might not necessarily hold for multi-sided platforms**
- **Governance rules that limit negative externalities increase the value of the platform**
 - **strengthen the ability of the software platform to compete against rivals with a full control over fragmentation (proprietary model)**
 - ❑ Increase inter-brand competition
 - **narrow the degree of differentiation between variants of software platform and the number of alternative viable versions of the platform**
 - ❑ reduce intra-brand competition

Thank You!

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